



# The Single Audit of the Commonwealth

Debrief from 2007 and Planning for 2008  
May 2008

Office of the State Comptroller, Office of the  
State Auditor and KPMG, LLP



# Agenda

- FY07 Overview
- FY08 Focus
- FY07 results
  - Quality Control Review Results
- FY07 debrief
- FY08 and beyond goals
- FY08 planning and readiness
- Single Audit Protocols
- Representation Letters – process and role

# Martin Benison





# FY07 Overview

- Change in Auditors Presented a Challenge
- Key Success Metrics Met
  - Reporting Deadlines Achieved
  - Financial Statements Unqualified
  - Federal QCR – Unqualified
- KPMG A Fresh Look
- Partnership with SAO Developed Quickly



# FY07 Process

- Started late
- Department satisfaction mixed
- Procedures with Departments not always clear
- Communication did not always live up to expectations
- Commonwealth accrual development and assurance for financial systems needs strengthening



# FY08 Process Improvements

- Focus on departments with most concern
- Improve communication protocols
- Formal status meetings at least monthly
- Key parties join monthly management meeting
- OSC/Department increased focus on major accruals

# Eric Berman





# FY07 Debrief

- First year was successful
  - Financial Audits and A-133 audit delivered on time
  - We had corrective action plans for every management letter comment
- First year jitters with KPMG were not insurmountable





# FY07 Results

- Areas Needing Improvements Included
  - **Deferrals and Disallowances**
  - Sub recipient monitoring
  - Cash management of grant proceeds and disbursements
  - Vendor management
  - Eligibility determination



# FY07 Results

- Areas Needing Improvements Included
  - Cost allocation plans
  - Information technology physical, logical and user access
  - Security – new hires
  - 3<sup>rd</sup> party service providers monitoring
  - Capital assets

# Brock Romano - KPMG





# FY07 Results

- Unqualified audit opinions on the
  - Statutory basis financial report (SBFR),
  - The comprehensive annual financial report (CAFR)
  - Single audit report (mostly)
    - 2 qualified programs
    - 3 material weaknesses
    - A number of significant control deficiencies in addition to above



# FY07 Results

- KPMG was reviewed by the federal government for quality control standards
  - Focus was primarily on federal awards
  - Review team was from
    - US HHS
    - US DOE
    - US DOT
  - Exit conference indicated
    - KPMG and the State Auditors' Office met the general requirements of the quality review
    - Final report will NOT include any findings / recommendations



# FY08 and Beyond

- Things we need to work on for 2008
  - Better communication strategy
    - Department ↔ Auditors ↔ Comptrollers
  - Focused KPMG teams
  - OSA role – Howard Olsher
  - More frequent meetings to resolve problem areas
  - Better targeted correspondence with departments
  - GAAP packages that are more meaningful
  - More departmental involvement



# FY08 Single Audit Protocols

- Audit documentation needs will be done up front
  - However, additional documentation will be needed if issues found
- Issues and Potential Findings will be Discussed During Field Visits
- Findings (if any) will be delivered at or before exit
- Audit issue resolution process will include Comptroller's office participation



# High Level Calendar

- IT – entrance prior to week ending May 23<sup>rd</sup>
  - Audit commencing week of May 27<sup>th</sup>
  - Ending goal week of July 28<sup>th</sup>
- TRE and Central Service Agencies entrances NOW
  - Audit commencing week of May 19<sup>th</sup>
  - Ending goal week of October 17<sup>th</sup> (with OSC lasting through the fall)
- Major departments – entrances weeks ending June 6<sup>th</sup> and 13<sup>th</sup>
  - Audit commencing week of June 9<sup>th</sup>
  - Ending goal week of September 22<sup>nd</sup> (single audit) December 5<sup>th</sup> (financial statement audit)
- Institutions of Higher Education – entrances weeks ending June 2<sup>nd</sup>
  - Audit commencing week of June 9<sup>th</sup>
  - Ending goal week of September 22<sup>nd</sup>



# Eric Berman





# FY08 and Beyond

- Medium / Long Term Goals
  - Systems are stable and fully relied upon
  - Acceleration of financial statements
  - Departmental GAAP training / ownership / representations
  - Making the Commonwealth's audit a more prestigious audit



# FY08 and Beyond

- How do we get there?
  - Focus on single audit as a management tool, learning experience, rather than a crutch
  - Departmental systems details have to reconcile to MMARS
  - Departments must understand their business and how it effects the Commonwealth's financial statements and programs



# FY08 and Beyond

- How do we get there?
  - Departments must partner with us in reliance on their data and be able to represent to that data
  - We must finish on a timely basis – due dates must be met
    - Federal government 2007 report was published in 78 days (December 17<sup>th</sup>).



# The Reliance on You

- Your representation is important
- OSC / ANF rely upon information and assertions to assure KPMG that the financial statements are fairly stated
- Reliance is strong
  - MMARS entries
  - ICQ
  - GAAP packages
  - Specialized correspondence
  - Independent audits

# The Reliance on You

## ■ Remember PARTNERS

- People
- Accountability
- Responsibility
- Trust - *Transparency*
- Negotiation
- Efficiency
- Risk Assessment and Mitigation
- Solutions